

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF MAYBEE	County MONROE
Fiscal Year End 12/31/2005	Opinion Date 2/22/2006	Date Audit Report Submitted to State 6/19/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

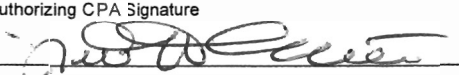
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, PLLC		Telephone Number 734-241-7200	
Street Address 1 SOUTH MONROE STREET		City MONROE	State MI
		Zip 48161	
Authorizing CPA Signature 	Printed Name PETER H. CARLTON		License Number 1101009575

VILLAGE OF MAYBEE
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

December 31, 2005

VILLAGE OF MAYBEE

Table of Contents *December 31, 2005*

Independent Auditor's Report	1
---	---

Basic Financial Statements:

Fund Financial Statements:

Governmental Funds:

Balance Sheet	2-3
Statement of Revenues, Expenditures, and Changes in Fund Balances	4-5

Notes to Financial Statements	6-14
-------------------------------------	------

Required Supplemental Information:

General Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	15-16
---	-------

Major Street Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	17
---	----

Local Street Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	18
---	----

Sewer Operating Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	19
---	----

Other Supplemental Information:

Water-Debt Retirement Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	20
---	----

Maybee Recreation Capital Projects Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	21
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Independent Auditor's Report

Village Council
Village of Maybee
Maybee, Michigan 48159

We have audited the accompanying financial statements of each major fund of the Village of Maybee, Monroe County, Michigan, as of and for the year ended December 31, 2005, as shown on pages 2 through 14, which collectively comprise a portion of the Village's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Village of Maybee, Monroe County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Village's governmental activities, is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Maybee, Monroe County, Michigan, as of December 31, 2005, or the changes in its financial position for the year then ended.

February 22, 2006

VILLAGE OF MAYBEE

Governmental Funds Balance Sheet December 31, 2005

	Special Revenue Funds			
	General Fund	Major Street Fund	Local Street Fund	Sewer Operating Fund
Assets				
Cash and cash equivalents	\$218,462	\$273,401	\$21,174	\$108,165
Accounts/taxes receivable	15,248	0	0	12,636
Due from other governments	15,284	0	2,858	5,866
Due from other funds	3,247	0	0	0
Total Assets	<u>\$252,241</u>	<u>\$273,401</u>	<u>\$24,032</u>	<u>\$126,667</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$6,512	\$1,480	\$370	\$0
Other liabilities	784	0	0	0
Deferred revenue	0	0	0	0
Due to other funds	0	0	0	0
Total Liabilities	7,296	1,480	370	0
Fund Balances				
Reserved for debt service	0	0	0	0
Designated for sludge removal	0	0	0	55,000
Unreserved:				
Undesignated, reported in:				
General Fund	244,945	0	0	0
Special Revenues Funds	0	271,921	23,662	71,667
Capital Projects Fund	0	0	0	0
Total Fund Balances	<u>244,945</u>	<u>271,921</u>	<u>23,662</u>	<u>126,667</u>
Total Liabilities and Fund Balances	<u>\$252,241</u>	<u>\$273,401</u>	<u>\$24,032</u>	<u>\$126,667</u>

See accompanying notes to the basic financial statements.

Water Debt Retirement Fund	Maybe Recreation Capital Projects Fund	Total Governmental Funds
\$241,734	\$10,717	\$873,653
518,799	0	546,683
0	0	24,008
0	0	3,247
<u>\$760,533</u>	<u>\$10,717</u>	<u>\$1,447,591</u>

\$0	\$0	\$8,362
0	0	784
443,854	0	443,854
0	3,247	3,247
443,854	3,247	456,247
316,679	0	316,679
0	0	55,000
0	0	244,945
0	0	367,250
0	7,470	7,470
<u>316,679</u>	<u>7,470</u>	<u>991,344</u>
<u>\$760,533</u>	<u>\$10,717</u>	<u>\$1,447,591</u>

VILLAGE OF MAYBEE

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended December 31, 2005

	General Fund	Special Revenue Funds		
		Major Street Fund	Local Street Fund	Sewer Operating Fund
Revenues				
Property taxes and special assessments	\$118,911	\$0	\$0	\$0
Licenses and permits	8,885	0	0	0
State grants	44,061	41,331	9,485	0
Charges for services	0	0	0	49,386
Interest income	2,767	3,928	282	1,512
Other revenue	17,117	0	2,870	18,050
Total Revenues	191,741	45,259	12,637	68,948
Expenditures				
Current Operating:				
Legislative	1,922	0	0	0
General government	71,589	0	0	0
Public safety	32,360	0	0	0
Public works	23,085	40,760	217,542	58,020
Recreation and cultural	4,726	0	0	0
Other	10,112	0	0	0
Capital outlay	0	0	0	0
Debt service	0	0	0	0
Total Expenditures	143,794	40,760	217,542	58,020
Excess (Deficiency) of Revenues Over Expenditures	47,947	4,499	(204,905)	10,928
Other Financing Sources (Uses)				
Operating transfers in	0	0	160,333	0
Operating transfers out	(150,000)	(10,333)	0	0
Total Other Financing Sources (Uses)	(150,000)	(10,333)	160,333	0
Net Change in Fund Balances	(102,053)	(5,834)	(44,572)	10,928
Fund Balances - Beginning of year	346,998	277,755	68,234	115,739
Fund Balances - End of year	<u>\$244,945</u>	<u>\$271,921</u>	<u>\$23,662</u>	<u>\$126,667</u>

See accompanying notes to the basic financial statements.

Water Debt Retirement Fund	Maybe Recreation Capital Projects Fund	Total Governmental Funds
\$87,134	\$0	\$206,045
0	0	8,885
0	0	94,877
0	0	49,386
32,521	182	41,192
11,670	2,500	52,207
131,325	2,682	452,592
0	0	1,922
0	0	71,589
0	0	32,360
0	0	339,407
0	0	4,726
0	0	10,112
0	20,251	20,251
428,529	0	428,529
428,529	20,251	908,896
(297,204)	(17,569)	(456,304)
0	0	160,333
0	0	(160,333)
0	0	0
(297,204)	(17,569)	(456,304)
613,883	25,039	1,447,648
\$316,679	\$7,470	\$991,344

VILLAGE OF MAYBEE

Notes to Financial Statements Year Ended December 31, 2005

Note 1 Description of the Village and Reporting Entity

The Village operates under a locally elected six member Council form of government and provides the following services: public safety, highways and streets, recreation and culture, public improvements, planning and zoning, general administrative services and sewage disposal services.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village.

Component units are legally separate organizations for which the Village is financially accountable. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt, or the levying of taxes. The Village has no component units.

The following entities are not included herein as they operate as autonomous units:

London-Maybee-Raisinville-Exeter Library - This is a joint library supported by London, Raisinville, and Exeter Townships and the Village of Maybee to provide a library for these four governmental units. This library is audited as a part of the Exeter Township audit.

London-Maybee-Raisinville Fire Department - This is a joint fire department supported by the Village of Maybee, London Township and Raisinville Township to provide fire protection to the Village and the Townships. The fire department is audited as a separate unit of government.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Village of Maybee have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the Village's accounting policies.

Basis of Presentation

A. Fund Financial Statements

Individual major governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental fund expenditures generally are recorded when a liability is incurred, as under accrual accounting.

VILLAGE OF MAYBEE

Notes to Financial Statements
Year Ended December 31, 2005

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

Fund Financial Statements (Concluded) - However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

On the governmental funds statements, property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. The General Fund accounts for all financial resources of the Village, except those required to be accounted for in another fund.

The Major Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all major streets.

The Local Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all local streets.

The Sewer Operating Fund accounts for monies collected from customers for sewer services and to pay the Monroe County Drain Commission for the operation and maintenance of the sewer system.

The Water Debt Retirement Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs of the General Obligated Limited Tax Water Supply System Bonds and the 1997 Special Assessment Water Bonds.

The Maybee Recreation Capital Projects Fund accounts for improvements to the park.

The Village does not have any nonmajor governmental funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Property Tax Receivable - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent August 31 of the following year.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

VILLAGE OF MAYBEE

Notes to Financial Statements Year Ended December 31, 2005

Note 2

Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Concluded)

Capital Assets - General capital assets are expensed in the appropriate fund when acquired. The Village has not valued the capital assets, which include the Sewage Disposal System, in conformity with generally accepted accounting principles which require that they be valued at historical cost.

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds."

Accrued Liabilities and Long-Term Obligations - In the fund financial statements, payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

- D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.
- E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.
- F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council.

VILLAGE OF MAYBEE

Notes to Financial Statements Year Ended December 31, 2005

Note 2 Summary of Significant Accounting Policies (Concluded)

Basis of Presentation (Concluded)

F. Budgetary Policies (Concluded)

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. The fiscal officer submits to the Village Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a motion.
4. Any revisions to the budget must be approved by the Village Council.
5. Budget amounts in these financial statements are as originally adopted, or as amended by the Village Council.
6. Unexpended appropriations lapse at year end.

Note 3 Stewardship, Accountability and Compliance

The Village shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

Note 4 Deposits

Statutes authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Village may not be deposited in financial institutions located in states other than Michigan.

The Village believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Council has adopted an investment policy authorizing certain types of investments and authorized one depository: Republic Bank.

Interest rate risk. The Village's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

VILLAGE OF MAYBEE

Notes to Financial Statements Year Ended December 31, 2005

Note 4 Deposits (Concluded)

Credit risk. The Village will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Village's investment policy.

Concentration of credit risk. The Village does not place any limits on the amount the Village may deposit or invest in any one issuer.

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned or the Village will not be able to recover the collateral securities in the possession of an outside party. The Village has \$873,943 invested in certificates of deposit, checking accounts, and money markets. The Village's deposits are insured by the FDIC in the amount of \$100,000, with uninsured deposits of \$773,943. The Village's deposits are at an institution with an established record of fiscal health and service. The Village Council approves and designates a list of authorized depository institutions. The Village's investment policy does not address deposit risk.

Foreign currency risk. The Village is not authorized to invest in investments which have this type of risk.

Note 5 Interfund Receivables and Payables

Balances at December 31, 2005 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
Maybe Recreation Fund	\$3,247	\$ -
Maybe Recreation Fund:		
General Fund	-	<u>3,247</u>
Totals	<u>\$3,247</u>	<u>\$3,247</u>

Note 6 Interfund Transfers

Interfund transfers at December 31, 2005, consisted of the following:

	<u>Transfers Out</u>		
	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Total</u>
<u>Transfers In:</u>			
Local Street Fund	<u>\$150,000</u>	<u>\$10,333</u>	<u>\$160,333</u>

The transfers from the General Fund and the Major Street Fund to the Local Street Fund were to help pay for local street preservation.

VILLAGE OF MAYBEE

Notes to Financial Statements
Year Ended December 31, 2005

Note 7 Long-Term Debt

The following is a summary of long-term debt outstanding as of December 31, 2005:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Original Amount of Issue</u>	<u>Balance Outstanding</u>
Contract liability for:					
General Obligation					
Limited Tax Water			11/1/97-		
Supply System Bonds					
(Maybee/Raisinville/ Exeter/London-Series 1997)	5.000%- 7.500%	04/01/97	05/1/16	\$316,123	\$ 15,873
Bonds Payable:					
1997 Special Assessment			11/1/97-		
Water Bonds	5.550%	04/01/97	05/1/16	995,000	<u>205,000</u>
					<u>\$220,873</u>

Changes in long-term debt during the 2005 fiscal period are summarized as follows:

	<u>Balance December 31, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>	<u>Due In One Year</u>
General Obligation					
Limited Tax Water					
Supply System Bonds					
(Maybee/Raisinville/ Exeter/London-Series 1997)	\$ 16,222	\$ -	\$ 349	\$ 15,873	\$1,443
1997 Special Assessment					
Water Bonds	<u>610,000</u>	<u>-</u>	<u>405,000</u>	<u>205,000</u>	<u>55,000</u>
	<u>\$626,222</u>	<u>\$ -</u>	<u>\$405,349</u>	<u>\$220,873</u>	<u>\$56,443</u>

VILLAGE OF MAYBEE

Notes to Financial Statements Year Ended December 31, 2005

Note 7 Long-Term Debt (Continued)

The following are the repayment schedules of the December 31, 2005 balances:

Contract liability for the General Obligation Limited Tax Water Supply System Bonds (Maybee/Raisinville/Exeter/London - Series 1997) - original issue of \$2,595,000, with the Village's share set at 12.182%, equaling \$316,123. The bonds were issued April 1, 1997 by the County of Monroe. Since the Village has made additional principal payments, their share of the remaining payments has been reduced as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
05/01/06	\$ 1,443	\$430	\$1,873
11/01/06	0	393	393
05/01/07	1,443	393	1,836
11/01/07	0	355	355
05/01/08	1,443	355	1,798
11/01/08	0	317	317
05/01/09	1,443	317	1,760
11/01/09	0	278	278
05/01/10	1,443	278	1,721
11/01/10	0	238	238
05/01/11	1,443	238	1,681
11/01/11	0	198	198
05/01/12	1,443	198	1,641
11/01/12	0	159	159
05/01/13	1,443	159	1,602
11/01/13	0	119	119
05/01/14	1,443	119	1,562
11/01/14	0	79	79
05/01/15	1,443	79	1,522
11/01/15	0	40	40
05/01/16	<u>1,443</u>	<u>40</u>	<u>1,483</u>
	<u>\$15,873</u>	<u>\$4,782</u>	<u>\$20,655</u>

Bonds payable for the 1997 Special Assessment Water Bonds - original issue of \$995,000. The bonds were issued April 1, 1997 by the Village of Maybee. The Village of Maybee is financing these costs through a special assessment levied against the benefitting property owners:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
05/01/06	\$ 55,000	\$ 5,690	\$ 60,690
11/01/06	0	4,163	4,163
05/01/07	50,000	4,164	54,164
11/01/07	0	2,775	2,775
05/01/08	50,000	2,776	52,776
11/01/08	0	1,388	1,388
05/01/09	<u>50,000</u>	<u>1,388</u>	<u>51,388</u>
	<u>\$205,000</u>	<u>\$22,344</u>	<u>\$227,344</u>

VILLAGE OF MAYBEE

Notes to Financial Statements Year Ended December 31, 2005

Note 7 Long-Term Debt (Concluded)

The annual requirements to pay principal and interest on the long-term debt outstanding at December 31, 2005, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 56,443	\$10,676	\$ 67,119
2007	51,443	7,687	59,130
2008	51,443	4,836	56,279
2009	51,443	1,983	53,426
2010	1,443	516	1,959
2011-2015	7,215	1,388	8,603
2016	<u>1,443</u>	<u>40</u>	<u>1,483</u>
Total	<u>\$220,873</u>	<u>\$27,126</u>	<u>\$247,999</u>

Note 8 Water Special Assessments and Tap Fees

The Village of Maybee 1997 Special Assessment Water Bonds issued in the original amount of \$995,000 and the Village's share of the County of Monroe General Obligation Limited Tax Water Supply Systems Bonds in the amount of \$316,123 are to be financed through a special assessment. The special assessment was levied against the benefitting property owners on December 1, 1996. Property owners were originally assessed \$8,000 per residence equivalency unit (REU) but during 1999 the assessment was reduced to \$7,200 per REU. The property owners had the option to pay the original assessments over a twenty year period with a minimum annual principal payment of \$400 per REU plus interest at 6.55%. As a result of the reduction in the assessment, the annual principal payment was reduced to \$352.94 per REU. The Village also charges an indirect tap fee assessment of \$5,000 which can be paid over the remaining life of the bond issue. As of December 31, 2005, the balance remaining on the assessments were \$490,053.

Note 9 Property Taxes

The Village bills and collects its own property taxes. For 2005, the Village tax levy was spread as follows:

	<u>Mills Levied</u>	<u>Taxes Levied</u>
General Fund	8.369	<u>\$117,799</u>

The Village's 2005 property taxes, levied on July 1, 2005 on assessed valuation as of December 31, 2004, were due and payable by August 31, 2005. Taxable values, which amounted to \$14,075,300 represent a percentage of the fair market value of the assessed property.

As of December 31, 2005, delinquent taxes of \$10,592 are reflected as a receivable in the General Fund.

Note 10 Employee's Pension Plan

The Village adopted a simplified employee pension - individual retirement account plan (SEP-IRA) through Auto-Owners Life Insurance Company. The Plan became effective July 1, 1991. All employees of the Village are eligible for participation upon employment with 100% vesting immediately. The Village contributes 7.5% of the employees wages to the Plan. The Village contributed \$2,688 to the plan for the 2005 plan year based upon wages covered under the plan of \$35,840. Employees may make voluntary contributions to the Plan. The Village has no liability beyond its own contribution.

VILLAGE OF MAYBEE

Notes to Financial Statements Year Ended December 31, 2005

Note 11 London Township Sewage Disposal System No. 1 Contract

In September, 1983, the Village of Maybee entered into a contract with London Township for treatment and disposal of sewage from the Collingwood Estates Subdivision. Under the terms of the agreement, the Village of Maybee will provide sewage treatment and disposal service for no more than 85 residential homes. London Township is required to pay the Village of Maybee a bi-monthly usage fee per residence as authorized by the Village. The fee is \$25.00 per residence.

Note 12 Lease of Village Property

In November, 2004, the Village approved a 5 year lease beginning January 1, 2005, with the Maybee Farmers Cooperative for a small parcel of Village property for \$500 per month.

Note 13 Sewer Tap Fees

The Village charges a tap fee for direct service connection based on single-family residence equivalents. The fee is \$4,075 per residential equivalent. The Village also charges an indirect service connection fee of \$2,475.

Note 14 Sewer Operation - Maintenance

Under a contract with the County of Monroe dated August 1970, the Village agreed to pay to the County the reasonable expenses for the operation and maintenance of the Maybee sewer system. Charges paid by the Sewer Operating Fund were \$54,444 for the year ended December 31, 2005. The Michigan Department of Environmental Quality (DEQ) has suggested that the Village set aside \$5,000 per year to be used for removal of sludge in the ponds in the near future. As of December 31, 2005, the Village has designated \$55,000 for this cost.

Note 15 Sewer Billing and Bookkeeping

The Monroe County Drain Commission performs the bi-monthly sewer billing and bookkeeping function for the Village. During 2005, the Village paid \$2,026 to the Drain Commission for this service.

Note 16 Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Village has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 17 Contingent Liability

The Village of Maybee is subject to the Michigan Employment Security Act and would be liable for valid unemployment claims on a reimbursement basis. For the year ended December 31, 2005, the Village incurred no expense and no provision has been made for any additional potential liability.

VILLAGE OF MAYBEE

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Taxes:				
Property taxes	\$135,000	\$135,000	\$118,911	(\$16,089)
Licenses and permits	15,000	15,000	8,885	(6,115)
State grants:				
State shared revenue	45,000	45,000	44,061	(939)
Interest income	2,000	2,000	2,767	767
Other revenue:				
Other revenue	2,000	2,000	4,000	2,000
Cable franchise fees	0	4,000	4,636	636
Ordinance 168 fees	0	2,000	2,481	481
Rentals	6,000	6,000	6,000	0
	<u>8,000</u>	<u>14,000</u>	<u>17,117</u>	<u>3,117</u>
Total Revenues	205,000	211,000	191,741	(19,259)
Expenditures				
Legislative:				
Council	2,400	2,400	1,922	478
General government:				
President	4,050	4,050	3,906	144
Election	0	45	41	4
Attorney	3,000	3,000	2,632	368
Clerk	4,900	4,900	4,509	391
Treasurer	4,550	4,550	4,045	505
Village hall and grounds	60,400	61,100	52,405	8,695
Other	6,500	6,500	4,051	2,449
	<u>83,400</u>	<u>84,145</u>	<u>71,589</u>	<u>12,556</u>

VILLAGE OF MAYBEE

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Expenditures (Concluded)				
Public safety:				
Ordinance Enforcer	\$1,500	\$1,500	\$1,321	\$179
Police	10,000	10,000	1,979	8,021
Supplies	5,000	5,000	0	5,000
Fire Department	21,000	22,900	22,698	202
Building inspection	9,000	9,000	6,197	2,803
Zoning board	250	250	165	85
	<u>46,750</u>	<u>48,650</u>	<u>32,360</u>	<u>16,290</u>
Public works:				
Department of public works	12,000	12,000	10,737	1,263
Streetlights	15,000	15,000	12,348	2,652
	<u>27,000</u>	<u>27,000</u>	<u>23,085</u>	<u>3,915</u>
Recreation and cultural:				
Administration	2,500	2,500	2,125	375
Library services	2,650	2,650	2,601	49
	<u>5,150</u>	<u>5,150</u>	<u>4,726</u>	<u>424</u>
Other:				
Social security	0	0	101	(101)
Medicare	800	800	487	313
Insurance	7,000	7,000	6,819	181
Retirement	3,000	3,000	2,705	295
	<u>10,800</u>	<u>10,800</u>	<u>10,112</u>	<u>688</u>
 Total Expenditures	 <u>175,500</u>	 <u>178,145</u>	 <u>143,794</u>	 <u>34,351</u>
 Excess (Deficiency) of Revenues Over Expenditures	 29,500	 32,855	 47,947	 15,092
Other Financing Sources (Uses)				
Operating transfer out	<u>(75,000)</u>	<u>(196,000)</u>	<u>(150,000)</u>	<u>46,000</u>
 Net Change in Fund Balance	 (45,500)	 (163,145)	 (102,053)	 61,092
 Fund Balance - Beginning of year	 <u>379,354</u>	 <u>378,408</u>	 <u>346,998</u>	 <u>(31,410)</u>
 Fund Balance - End of year	 <u><u>\$333,854</u></u>	 <u><u>\$215,263</u></u>	 <u><u>\$244,945</u></u>	 <u><u>\$29,682</u></u>

VILLAGE OF MAYBEE

Major Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
State grants	\$40,000	\$40,000	\$41,331	\$1,331
Interest income	3,000	3,000	3,928	928
Total Revenues	43,000	43,000	45,259	2,259
Expenditures				
Public works:				
Routine maintenance/preservation	19,500	25,900	29,230	(3,330)
Winter maintenance	4,000	11,500	11,530	(30)
Engineering fees	5,000	7,000	0	7,000
Total Expenditures	28,500	44,400	40,760	3,640
Excess (Deficiency) of Revenues Over Expenditures	14,500	(1,400)	4,499	5,899
Other Financing Sources (Uses)				
Operating transfer out	(10,000)	(11,000)	(10,333)	667
Net Change in Fund Balance	4,500	(12,400)	(5,834)	6,566
Fund Balance - Beginning of year	286,307	279,472	277,755	(1,717)
Fund Balance - End of year	\$290,807	\$267,072	\$271,921	\$4,849

VILLAGE OF MAYBEE

*Local Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended December 31, 2005*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
State grants	\$10,000	\$10,000	\$9,485	(\$515)
Interest income	500	500	282	(218)
Other revenue	10,000	10,000	2,870	(7,130)
Total Revenues	20,500	20,500	12,637	(7,863)
Expenditures				
Public works:				
Routine maintenance/preservation	121,500	176,500	149,192	27,308
Winter maintenance	1,500	3,000	2,970	30
Engineering fees	40,000	71,000	65,380	5,620
Total Expenditures	163,000	250,500	217,542	32,958
Excess (Deficiency) of Revenues Over Expenditures	(142,500)	(230,000)	(204,905)	25,095
Other Financing Sources (Uses)				
Operating transfer in	85,000	206,000	160,333	(45,667)
Net Change in Fund Balance	(57,500)	(24,000)	(44,572)	(20,572)
Fund Balance - Beginning of year	67,305	68,535	68,234	(301)
Fund Balance - End of year	\$9,805	\$44,535	\$23,662	(\$20,873)

VILLAGE OF MAYBEE

*Sewer Operating Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended December 31, 2005*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Charges for services:				
Sewer use charges	\$44,150	\$44,150	\$49,386	\$5,236
Interest income	250	250	1,512	1,262
Other income	15,000	15,000	18,050	3,050
 Total Revenues	 59,400	 59,400	 68,948	 9,548
Expenditures				
Public works:				
Operating and maintenance	55,000	55,000	54,444	556
Engineering fees	50,000	50,000	0	50,000
Bookkeeping fees	1,600	2,100	2,026	74
Grounds maintenance	1,500	1,600	1,550	50
 Total Expenditures	 108,100	 108,700	 58,020	 50,680
 Net Change in Fund Balance	 (48,700)	 (49,300)	 10,928	 60,228
 Fund Balance - Beginning of year	 89,299	 106,820	 115,739	 8,919
 Fund Balance - End of year	 \$40,599	 \$57,520	 \$126,667	 \$69,147

VILLAGE OF MAYBEE

Water Debt Retirement Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Special assessments	\$51,500	\$51,500	\$87,134	\$35,634
Interest income	43,500	43,500	32,521	(10,979)
Other revenue	5,000	5,000	11,670	6,670
Total Revenues	100,000	100,000	131,325	31,325
Expenditures				
Debt Service:				
Principal	72,000	406,000	405,349	651
Interest and fees	45,350	25,350	23,180	2,170
Total Expenditures	117,350	431,350	428,529	2,821
Net Change in Fund Balance	(17,350)	(331,350)	(297,204)	34,146
Fund Balance - Beginning of year	500,020	570,569	613,883	43,314
Fund Balance - End of year	<u>\$482,670</u>	<u>\$239,219</u>	<u>\$316,679</u>	<u>\$77,460</u>

VILLAGE OF MAYBEE

*Maybe Recreation Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended December 31, 2005*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Interest income	\$0	\$192	\$182	(\$10)
Donations	0	0	2,500	2,500
	0	192	2,682	2,490
Expenditures				
Capital outlay	0	25,231	20,251	4,980
Net Change in Fund Balance	0	(25,039)	(17,569)	7,470
Fund Balance - Beginning of year	0	25,039	25,039	0
Fund Balance - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$7,470</u>	<u>\$7,470</u>



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Certified Public Accountants

Village Council
Village of Maybee
Maybee, Michigan 48159

Report of Comments and Recommendations

Dear Members:

The audit of the financial statements of the Village of Maybee for the year ended December 31, 2005 included a review of the internal controls, accounting procedures and records and certain observations regarding operations. The comments and recommendations which follow cover those matters encountered during our audit. However, they may not include all recommendations that might result from a comprehensive study directed only toward procedures, controls and operations.

The items set forth herein for your review have been discussed with appropriate personnel.

New Reporting Model

The Village was required to implement new financial reporting requirements that were established by GASB Statement No. 34 for the fiscal year beginning January 1, 2004. As of December 31, 2005, the Village of Maybee did not complete the reporting requirements necessary for GASB Statement No. 34.

As part of GASB Statement No. 34, the Village will be required to report capital assets (assets with useful lives of more than one year) in the statement on net assets at historical cost. These capital assets will also be depreciated over their estimated useful lives.

In order to implement GASB Statement No. 34, the Village will need an inventory of capital assets as of December 31, 2006. Capital assets include the following: land, buildings, office equipment, fire equipment, and vehicles. Inventory information should include the description of the item, historical cost, date of purchase, and estimated useful life.

We would be happy to meet with Village officials or the Village Council at any time in order to answer any questions concerning matters mentioned in this letter or concerning the audit report. It has been a pleasure to be of service to you and we appreciate the cooperation which we received during the audit.

Cooley Hehl Wohlgamuth & Carlton

February 22, 2006